

**RESOLUTION NO. RS2018-1032** (VERCHER & GILMORE) – This resolution would appropriate an amount not to exceed \$13,231,000 from the General Fund for the benefit of the Hospital Authority and General Hospital. \$4,409,676 of this amount would be paid directly to Meharry Medical College as the amount owed to Meharry by the Hospital Authority for services provided to General Hospital as of June 30, 2017.

The \$13,231,000 appropriation would consist of \$10,831,000 from the undesignated fund balance of the General Fund of the General Services District. The remaining \$2,400,000 would be offset with Impounded Funds from six (6) expenditure accounts:

Employee Tuition Reimbursement	\$ 50,000
Stormwater Contingency	\$ 350,000
Small business Incentive	\$ 150,000
Nashville Construction Readiness	\$ 150,000
Historic Incentive Pilot	\$1,550,000
Historic Preservation Pilot	\$ 150,000

The resolution notes that Meharry is owed additional funds for services provided after June 30, 2017. The additional amount owed is to be paid as soon as practicable following a financial reconciliation determining the amount of additional funds.

This supplemental appropriation on behalf of the Hospital Authority is contingent upon timelines and conditions listed in the resolution as follows:

1. Within 10 business days following adoption of the resolution, Metro will pay \$4,409,676 directly to Meharry Medical College;
2. Of the remaining \$8,821,324, \$4,000,000 will be available to cover shortfalls in cash collected for net patient revenue, but only if net patient revenue as of June 30, 2018 is below \$42,000,000;
3. Disbursements of the remaining \$4,821,324 for operating expenses, including monthly utility and other operating expense payments to Meharry will be made based on monthly cash flow needs documented with Operating Disbursement Requests;
4. Each Operating Disbursement Request is to be delivered to the Director of Finance at least ten business days prior to the requested date of funding and must be certified by the Chief Executive and Chief Financial Officers of General Hospital as well as the Board Chair and Finance Committee Chair of the Hospital Authority;
5. Each Operating Disbursement Request is required to be accompanied by detailed supporting documentation and analysis; and
6. Within 15 days of the end of each month, the Hospital Authority shall provide the previous month's copies of the balance sheet, the budget-to-actual-income statement, and the monthly actual and projected cash flow. The reports listed here are to be sent to the Vice-Mayor, Council Budget and Finance Committee Chair, and Council Health Committee Chair. In addition electronic copies are to be sent to each member of the Metro Council and the Director of Finance.

In 1991, the Metro Council adopted Resolution R89-959 supporting the Finance Department policy that the GSD General Fund, the USD General Fund, and the General Purpose School Fund should maintain a fund balance equal or greater than five percent (5%) of the budget. This policy was expanded on July 1, 2006, per Office of Management and Budget Policy No. 8, to include the three primary budgetary debt funds in addition to these operations funds. The Finance Department has estimated the payment of this \$10,831,000 would lower the fund balance percentage to 3.85%.

Pursuant to Metro Charter Sec. 6.09, upon certification of the Director of Finance, the Mayor has the authority to impound funds in cases where the revenues are found to be insufficient to pay for appropriated expenditures. With the projected reduction in the fund balance percentage to 3.85%, this condition would now apply.

Previous operating subsidies were made to the Hospital Authority in 2016 and 2017 totaling \$26,000,000. (RS2016-100 appropriated \$10,000,000 on February 5, 2016 and RS2017-538 appropriated \$16,000,000 on February 7, 2017).

*Fiscal Note: The resolution identifies two sources to be used to fund this supplemental appropriation. \$10,831,000 would be paid from the GSD General Fund's undesignated fund balance. In addition, as noted above, the resolution would authorize the redirection of \$2,400,000 from six appropriations from the current approved operating budget for FY18. Each of these appropriations is from a general administrative account and would not directly reduce any department's budget. The original appropriation and remaining balance for each of these funds, following the proposed cuts, is as follows:*

<u>Account Description</u>	<u>Original Appropriation</u>	<u>Cut</u>	<u>Balance</u>
Employee Tuition Reimbursement	\$100,000	(\$50,000)	\$50,000
Stormwater Contingency	\$664,200	(\$350,000)	\$314,200
Small Business Incentive	\$250,000	(\$150,000)	\$100,000
Nashville Construction Readiness	\$844,100	(\$150,000)	\$694,000
Housing Incentive Pilot	\$2,000,000	(1,550,000)	\$450,000
Historic Preservation Pilot	\$150,000	(\$150,000)	\$0

*If the decision were made to take an additional \$2,400,000 from the undesignated fund balance, rather than make these six impounded cuts, the Finance Department has estimated the percentage would drop an additional one-quarter percent, to 3.6% rather than 3.85%.*

*In an effort to restore the undesignated fund balance to the 5% minimum required by Metro policy, the resolution states the Director of Finance will implement a hiring and promotion freeze with a goal of further impounding a minimum of an additional \$2,000,000. The letter accompanying the resolution identifies the amounts saved by each department in their FY17 budget would become their minimum target for savings in FY18. However, even recovering this entire \$2,000,000 would still leave the fund balance at just slightly over 4%.*

*Not every department will be able to achieve GSD General Fund operational budget savings for FY18. In almost every budget year, it is necessary for some departments to request a supplemental appropriation. For every such case in FY18, the fund balance will be further reduced increasing the amount necessary to restore it to 5% as required by policy.*